

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-102-S - ORDER NO. 2014-437
MAY 27, 2014

IN RE:	Joint Application of United Utility)	ORDER APPROVING
	Companies, Incorporated, and)	SALE AND TRANSFER
	Crusader/Mountie, LLC for Approval of a)	OF WASTEWATER
	Contract for the Sale and Transfer of the)	SYSTEM
	Wastewater System Serving a Portion of)	
	North Greenville and the Laurel Valley)	
	Subdivision in Greenville County to)	
	Crusader/Mountie, LLC a Wholly Owned)	
	Subsidiary of North Greenville University,)	
	and Establishment of a Service Area and)	
	Rates for Crusader/Mountie, LLC)	

Introduction:

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the Joint Application of United Utility Companies, Inc. (“United”) and Crusader/Mountie, LLC (“Crusader”) (collectively “Applicants”) for (1) the sale and transfer of the wastewater system serving a portion of North Greenville and the Laurel Valley Subdivision in Greenville County to Crusader and (2) the establishment of a service area and rates for Crusader. The request to transfer the sewer facilities, territory, and certificate of public convenience and necessity currently held by United for the above captioned service area is made pursuant to 10 S.C. Code Regs. 103-541 (2013). The request for the establishment of the service area and rates to be charged by Crusader is

made pursuant to 10 S.C. Code Regs. 103-512.4.B (2013). Crusader seeks to charge the same rates that are currently approved for United.

Applicants published notice of their requests in the *Greenville News*, pursuant to 10 S.C. Code Ann. Regs. 103-817(C)(3)(a), but no interested parties intervened, and no objection to the Application has been made.

Background:

United is a “public utility” as defined in S.C. Code Ann. Section 58-5-10(4) (Supp. 2013) providing wastewater collection and disposal service to customers in various counties of South Carolina. United’s service area in Greenville County includes a portion of the campus of North Greenville University (“NGU”) and the adjacent Laurel Valley Subdivision (“Territory”). The authority to serve this territory was granted by Commission Order No. 2001-1070 (November 21, 2001) in Docket No. 2001-355-S. United currently provides service in the Territory pursuant to rates approved by the Commission in Order No. 2013-909 (December 27, 2013) as amended by Order No. 2013-909(A) (January 22, 2014) in Docket No. 2013-199-WS (“Current United Rates”). A copy of a map showing the Territory is on file with the Commission.

Crusader is a South Carolina Limited Liability Company whose sole member is NGU. NGU previously owned the subject wastewater system, and it created Crusader to now re-acquire, own, and operate the wastewater system for compensation to the public in the requested Territory.

On December 18, 2013, the Applicants entered into an Asset Purchase Agreement that specifies United will sell and Crusader will acquire the wastewater system at issue,

including the related property of United (whether real, personal, or mixed), easements, and all necessary governmental authorizations held by United for operation of the system, including the Certificate of Public Convenience and Necessity issued to United by this Commission, the National Pollutant Discharge Elimination System (“NPDES”) permit for this wastewater system, and all other necessary permits.

Crusader’s Qualifications:

The Applicants state that the transfer of the wastewater system is in the public interest. NGU’s previous experience with the ownership and operation of the assets proposed to be transferred will be available to Crusader. Furthermore, Crusader’s current financial statement, submitted with the Application, indicates that it has sufficient capital to operate the system and no issuance of securities for additional capital is required.

Requested Waivers and Bond:

Crusader requests that the Commission waive compliance with the Commission’s regulations pertaining to the establishment of a service area and rates and charges. The regulations that the Applicants specifically request exemption from are 10 S.C. Code Ann. Regs. 103-512.4(B) subsections 3, 4, 7, 8, 9, 11, and 12 (2013), and 10 S.C. Code Ann. Regs. 103-823(A)(3) (2013), since the wastewater system was previously owned and operated by the sole owner of the acquiring entity. Crusader also requests that the hearing be waived pursuant to S.C. Code Ann. Regs. 103-803. It cites the unique nature of the transfer’s circumstances that render such a waiver appropriate and seeks no adjustment of rates to support the proposed transaction.

The Office of Regulatory Staff's Review:

The Office of Regulatory Staff ("ORS") has reviewed this matter and recommends the Commission approve the requested transfer with the following conditions:

1. Within 30 days of the approval of the transfer, require United to provide the Commission and ORS the year of acquisition and cost basis for each of the tangible assets listed in Schedule 1(e) of the Application, along with the accumulated depreciation for each item listed.
2. Within 30 days upon closing, require confirmation that the closing is completed.
3. Require that Crusader's books and records be maintained according to the NARUC Uniform System of Accounts.
4. Require that Crusader maintain a performance bond in the amount of \$100,000.

Discussion:

10 S.C. Code Ann. Regs. 103-504 provides that no existing public utility supplying wastewater disposal or water service to the public shall sell, acquire, transfer, begin the construction or operation of any utility system, or any extension thereof, by the sale of stock or otherwise, without first obtaining from the Commission a certificate that the sale, transfer, or acquisition is in the public interest, or that public convenience and necessity require or will require construction or operation of any utility system, or extension. Although 10 S.C. Code Ann. Regs. 103-504 also provides for notice and due hearing, 10 S.C. Code Ann. Regs. 103-501(3) provides that "In any case where compliance with any of these rules and regulations introduces unusual difficulty or where

circumstances indicate that a waiver of one or more rules or regulations is otherwise appropriate, such rules or regulations may be waived by the commission upon a finding by the commission that such waiver is not contrary to the public interest.” This Commission notes that it has previously considered applications in the context of its weekly public meeting when the applications have no other parties involved and the application is not contested. The Commission finds that a waiver of the hearing requirement in the present matter is in the public interest.

Likewise, we find that waiver of 10 S.C. Code Ann. Regs. 103-512.4(B) subsections 3, 4, 7, 8, 9, 11, and 12 (2013), and 10 S.C. Code Ann. Regs. 103-823(A)(3) (2013) is in the public interest. These are regulations regarding the establishment of a service area and rates and charges, but as the Applicants have explained, NGU, through Crusader, is essentially reacquiring a system that it once operated. Furthermore, it intends to charge the same rates for wastewater services that United is currently charging under the same terms, conditions, and operating margin that were approved in Commission Order 2013-909(A) (January 22, 2014).¹ In addition, the community where the wastewater system is located has filed a letter in support of the transfer, and Crusader has proven that it is financially sound by the financial statement attached to the Application.

¹ Amended Order Approving United Utility Companies, Inc. Increase in Rates and Charges, Rate Schedule Modifications and Settlement Agreement.

Findings of Fact:

1. United is a public utility as defined by S.C. Code Ann. Section 58-5-10(4)(Supp. 2013) and provides water and sewer service to the public that serves a portion of North Greenville and the Laurel Valley Subdivision in Greenville County.

2. Crusader is a limited liability company whose sole member is NGU.

3. NGU once owned and operated the wastewater system that is the subject of this transfer, and this experience will be available to Crusader.

4. Crusader has shown that it is financially sound to operate the wastewater system.

5. Crusader has agreed to the rates, terms, conditions, and operating margin approved for United in Commission Order No. 2013-909(A).

6. It is in the public interest to waive 10 S.C. Code Ann. Regs. 103-512.4(B) subsections 3, 4, 7, 8, 9, 11, and 12 (2013), and 10 S.C. Code Ann. Regs. 103-823(A)(3) (2013, since NGU once owned and operated the wastewater system, the existing residents are supporting the transfer, and there is no change in the rates to be charged.

IT IS THEREFORE ORDERED:

1. The Agreement providing for the transfer of the wastewater system from United to Crusader, as well as the property owned by United associated with that system, including the certificate of public convenience and necessity, any easements, and other permits and privileges held by United pertaining thereto is approved;

2. Crusader is authorized to operate the wastewater system under the Current United Rates and in accordance with the other terms and conditions of the schedule of rates and charges currently approved for United by this Commission;

3. Crusader is granted a Certificate of Public Convenience and Necessity to provide sewerage service in the territory once served by United in a portion of North Greenville and the Laurel Valley Subdivision in Greenville County;

4. For purposes of complying with the bond requirements of S.C. Code Ann. Section 58-5-720 (Supp. 2013) and 10 S.C. Code Regs. 103-512.3 (2013), NGU will file a certificate of deposit in the amount of \$100,000 on behalf of Crusader;

5. Within 30 days of the approval of the transfer, United is required to provide the Commission and ORS the year of acquisition and cost basis for each of the tangible assets listed in Schedule 1(e) of the Application, along with the accumulated depreciation for each item listed;

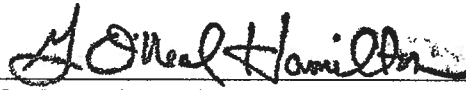
6. Within 30 days upon closing, confirmation is required that the closing is completed;

7. Crusader's books and records shall be maintained according to the NARUC Uniform System of Accounts;

8. The aforementioned regulations are waived as requested by the Applicants.

9. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:


G. O'Neal Hamilton, Chairman

ATTEST:


Nikiya Hall, Vice Chairman

(SEAL)